



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

January 11, 2007

The open meeting was called to order by President Carey, Thursday, January 11, 2007. Board members and staff present were:

Carole Carey, President
John Paull, Vice President
Robert Griffith, Member
Jay Klawon, Member
Troy McGee, Member
Elizabeth Nedrow, Member
Terry Smith, Member
Melanie Symons, Legal Counsel
Scott Miller, Legal Assistant
Roxanne Minnehan, Executive Director
Rebecca Haag, Fill-in Secretary

OPEN MEETING

Stephen C. Kologi, AMRPE; Jim Christnacht, AMPRE; Jane Spatola, Randy Taylor, John Morrissey, and Ron Campana, CitiStreet; Tom Schneider, MPEA; Chad Nicholson, Rick Ryan, Keith Simendinger, and Jack Trethewey, members of the State Firemen's Association; Perry Christie, Tim Jones, Kent Morris, Andy Light, Nancy Quirino, Beth Long, and Susan Winchester, Great-West; Devin Garrity; Carol Lambert; Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; Joel Thompson, MPERA; Kathy Samson, Defined Contributions Bureau Chief; Carolyn Miller, Administrative Officer; Katie Linjatie, Disability Claims Examiner, and Diann Levandowski, MPERA, joined the meeting.

MINUTES OF OPEN MEETING

The minutes of the open meeting of November 9, 2006 were presented. Mr. Griffith moved to approve the minutes. Troy McGee seconded the motion. Upon being submitted to a vote, the motion carried with all members voting aye. The minutes of the December 14, 2006 meeting were presented. John Paull noted a correction needed on page three. Robert Griffith moved to approve the minutes with the correction. Troy McGee seconded the motion. Upon being submitted to vote, was duly carried with the seven attending members voting aye.

Public Comment – *No public comment on any subject of interest to the Board not on the agenda.*

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

DC Recordkeeping/Administrative Services RFP –

CitiStreet and Great-West Retirement Services were the finalists in the RFP process. Carole Carey read a notice on the Board's duties for and limitations regarding the presentations of the vendors. Devin Garrity explained the procedure for the presentations and scoring of the vendors. Each presenter had an hour. CitiStreet presented first.

Presenting for CitiStreet was John Morrissey, Implementations Leader; Randy Taylor, Ron Campana, Communications; and Jane Spatola. CitiStreet is jointly owned by State Street and Citigroup. They have six state defined contribution plans and 14 state 457 plans. Their presentation focused on transition and communications. They stated they have experience converting from Great-West: City of Baltimore, State of South Carolina Retirement Systems and, most recently, the State of Georgia Employees' Retirement System. They stated they have a creative, innovative and customized approach to communication and don't try to fit clients into their structure.

Representing Great-West Retirement Services were Kent Morris, Vice President, Western Region; Perry Christie, Vice President, Director of National Accounts; Tim Jones, Regional Vice President, Northwest; and Andrew Light, National Accounts Manager. Also present from Great-West was Susan Winchester, Senior Account Executive; Nancy Quirino, Senior Account Executive; and Beth Long, Administrative Assistant. The presentation included the fact they had been the Board's vendor over the last years and have done an excellent job. This experience will be beneficial to the Board and plan participants. Great-West also reviewed their website, pointing out the distinctions between the employer's site and the site accessed by plan participants.

The Board discussed the presentations and scored each vendor under the categories of Administrative Services and Recordkeeping Services, each with four subcategories: Knowledge and understanding of the Board's plan structure and organization; Flexibility, willingness and ability to meet the Board's requirements and provisions; Knowledge of industry standards and application to the Board's plan; and Innovative and creative processes and practices. Upon completion of the scoring, Jay Klawon made a motion to approve the scoring. Terry Smith seconded the motion. The motion passed with all seven members voting aye.

Verbal Update, MPERA Staffing – Four of the new employees were introduced to the Board. Two positions have recently been filled: Rachel Vander Voort has taken over the Administrative Support position, and the Refund Clerk position has been filled by Telina Duncan, who has been working as a receptionist at the front desk for a year. Angela Salvitti is in the newly created part-time position of paralegal. Margaret (June) Dosier is the new programmer who took Kim Susag's place. Telina Duncan moving to the Refund Clerk position leaves the Receptionist position vacant. The Executive Assistant position is still open. Nobody within the department applied for it, so the vacancy announcement will be advertised statewide. The position closes January 29th.

Legislative Committee Report – Mr. Robert Griffith –

The Committee has all of their bills put together and has obtained sponsors for the bills. Bills will be presented and modified in the legislature over the next three months. The Chair of the Committee, Mr. Griffith, gave permission to the members of the Committee to speak to the

legislature regarding the Board's position. Therefore, both the lobbyists and Committee members may be speaking on bills on behalf of the Board. The Legislative Committee will continue to meet Tuesdays at 1:30 pm, during the session.

Troy McGee stated that HB159 was modified to have a better chance of passing. The modification includes statutory appropriations for the General Fund to pick up the increase in employer contributions for school district employers, similar to the Governor's Bill, HB131. As of now, there is no bill that would give MPERA-administered retirement systems a one-time cash infusion.

The Legislative Committee also discussed the correspondence between Ms. Minnehan and David Ewer, Budget Director. The Committee expressed that the letter from Ms. Minnehan was well-written, factual and to the point. Mr. Ewer's response was surprising and disappointing to the Committee. The letter in no way intended to disparage the Governor; however, the PERB must act fiduciarily and responsibly by maintaining their position. Jay Klawon moved that Carole Carey reply to Mr. Ewer with the proposed draft letter in the Board packet. Robert Griffith seconded the motion. Upon being submitted to vote, the motion passed with all members voting aye.

EIAC Appointments – Kathy Samson

A member of the Employee Investment Advisory Council (EIAC) and EIAC's current retiree representative on the RFP Committee, Jim Christnacht, submitted a letter of resignation from his position on EIAC. Mr. Christnacht recommended Mr. Jim Penner as his replacement. Robert Griffith moved to appoint Jim Penner as the EIAC retiree representative to complete the term vacated by Jim Christnacht. Troy McGee seconded the motion. The motion passed, with all seven members voting aye.

125 Plan VCP Agreement with IRS – This item was not discussed. We still have not received the requested IRS compliance statement.

PERS Local Government Coverage Contracts

Two local government entities are requesting PERS coverage – Flathead Special Education Cooperative and the Town of Froid. The contracts have been reviewed and need Board approval and signature. Troy McGee moved to approve both Flathead and Froid for coverage. Robert Griffith seconded. There was no discussion. The motion passed with all seven members voting aye.

Out of State Travel Authorization – GFOA Conference, Anaheim, June 9-13

This is a beneficial Government Finance Officers Association annual conference. Roxanne Minnehan requested that Barbara Quinn and Diann Levandowski travel to this conference. John Paull moved to approve the out of state travel request. Terry Smith seconded the motion. The motion carried with all seven members voting aye.

Future Board Meetings –

Jay Klawon motioned to set the next quarter board meetings for April 12, May 10 and June 14. The motion was seconded by Robert Griffith. The motion carried with all seven members voting aye.

Comprehensive Annual Financial Report 2006 Presentation

The Comprehensive Annual Financial Report (CAFR) for fiscal year 2006 was completed on time and submitted to the Government Finance Officers' Association (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting. The Board's report has received the certificate for the past eight consecutive years. We believe the current CAFR continues to meet GFOA's high standards and eligibility requirements. Diann Levandowski presented the 2006 CAFR to the Board. New to the report are: fair values by type of investment, average benefit payments, and principal participating employers. The CAFR is divided into 5 sections: the introduction, financial, investment, actuarial and statistical sections. Ms. Levandowski presented information from each section to the Board.

Verbal Update, Board of Investments – John Paull

The five managers that were selected in the non large cap active domestic equity area are: (1) mid cap core category - Martin Gale, asset management; (2) mid cap value category - Artesian Partners; (3) mid cap growth category - Times Square Capital Management; (4) small cap value category - Vaughn Nelson, investment manager; and (5) small cap growth category - North Point Capital. The contract process started last week, but will not be finalized until later in the month. The exact size of the allocation per manager has yet to be decided.

The evaluation team that selected these managers consists of three members of RV Kuhns, and two members from the Board of Investments.

The PERS Asset Liability study will be presented February 21st at the Board of Investments.

Verbal Update, Litigation - Melanie Symons/Scott Miller

The hearing for the motion for summary judgment for the Terry Teichrow case was January 10, 2007 in front of Judge Sherlock. Beth Baker defended the PERB and Terry Teichrow was defended by Bruce Spencer. Judge Sherlock's questions regarding open meetings and the hiring process led Ms. Baker to believe there to be a possibility the motion would be denied and a hearing scheduled.

Baumgardner's attorney's request that the date for filing post trial briefs be moved from January 16 to January 29 has been granted by Judge McCarter.

SSA Ruling HPORS – Kim Flatow

Ms. Flatow provided a copy of a decision from the Social Security Administration regarding the adjustment for retired members of the Highway Patrol Officers' Retirement System (HPORS). She explained how the amount of their Social Security is affected due to the receipt of their pension from the Highway Patrol Officers' Retirement System (HPORS). There was a modification to federal law passed in 1986, resulting in the Windfall Elimination Provision (WEP). Individuals, who are members of other systems that do not contribute to social security, receive a reduction in benefits when they apply to draw their social security retirement. As a result of communications between the Social Security Administration (SSA) and MPERA staff, the SSA determined that the HPORS is unique. The SSA will no longer apply the WEP to members who were eligible to receive a retirement benefit prior to 1986. This decision will affect members of the HPORS. While

the firefighters and police systems have similar restrictions with the WEP, this ruling will not impact them.

Informational Summary Reports were included in the packet.

The following portion of the meeting relates to matters of individual privacy. President Carey determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

SYNOPSIS OF THE CLOSED MEETING

The minutes of the closed meeting of December 14th were presented. Mr. Troy McGee moved that the minutes of the previous closed meeting be approved. Mr. John Paull seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

CONTESTED CASES

Informal Consideration – Kim Flatow

RW worked for a PERS covered agency. Prior to his termination from employment and subsequent retirement, he accepted another position with a PERS covered agency. His retirement benefit was terminated as he had returned to work prior to becoming a retired member. He requested consideration and the reinstatement of his retirement benefit. His request was denied.

Lawsuit – Melanie Symons

RG passed away from pneumonia in late December. RG's attorney has offered to settle the contested case for fifteen thousand dollars. Ms. Symons encouraged the Board not to settle. The lawsuit has no validity or merit. RG's death does not change this fact. Robert Griffith moved to refuse to settle this matter. Troy McGee seconded the motion. The motion carried with all seven members voting aye.

Retirement Report

- Disability Claims:
 - JB is a 51 yr. old secretary with failed back surgery syndrome and questionable fibromyalgia. The Board approved a disability request with annual review.

- CB is 55 in an Administrative Support and Accounting position with degenerative joint disease, post removal of Baker's Cyst from her left knee, and carpal tunnel syndrome. The Board denied a disability request.
- DB is a 59 year old Roll-off Container truck driver who has had a myocardial infarction (heart attack) and a cardiac defibrillator implantation. The Board approved a disability request with annual review.
- CF is a 58 year old food service worker with Chronic Obstructive Pulmonary Disorder and Emphysema. The Board approved a disability request with annual review.
- JP is a 48 year old Patrol Sergeant with a herniated disc at L4-5. The Board approved a disability request with annual review.
- BT is a 52 year old Maintenance Worker with Type-One Diabetes, Degenerative Joint Disease of the lumbar spine, and a small midline disc protrusion at L4-5. The Board approved a disability request with no annual review.

John Paull moved to approve or deny the disability claims as noted and Robert Griffith seconded. The motion passed 7-0.

- Finalized Service Retirements Disability Benefit Payments.

Robert Griffith noticed that JM needed a letter of congratulations as he was employed as a fireman with his employer for over 30 years.

John Paull made the motion to approve the finalized service retirements, disability benefit payments, monthly survivorship death benefits, etc. after the correction. Elizabeth Nedrow seconded the motion. The motion passed 7-0.

Legal Services –

Orders to Dismiss contested case hearings pertaining to LG and RVH are included in the closed portion of the packet, as is the Legal Services Track Report. Ms. Symons reported that SCW has requested a contested case hearing on his issue.

OPEN MEETING

The Open Meeting Reconvened.

Board Recommendation to Procurement for DC Administration/Recordkeeping Services – Kathy Samson

The scores of the presentations were placed into a spreadsheet with the scores of the original RFP. However, after listening to the vendors present, it was discovered that when the original proposals were scored, there was a possible misunderstanding regarding each company's cost proposal. The Board and Kathy Samson discussed the issue and how it could affect scoring, and how best to remedy it. Everyone was in agreement that this scoring must be accurate so requesting another cost proposal from each vendor was suggested. Elizabeth Nedrow moved that MPERA ask the respondents to give a best and final offer to provide recordkeeping and administrative services and have them fill out a spreadsheet with these costs. Jay Klawon seconded the motion. With no further discussion, the motion moved to vote. The motion carried with all seven members voting aye. The deadline for the vendors is Monday.

The Board decided to complete their decisions and recommendations regarding this Request for Proposal via conference call. The call will be at 1:30 pm, on Wednesday January 17, 2007.

ADJOURNMENT

There being no more business before the Board, Jay Klawon moved to adjourn the meeting. Terry Smith seconded the motion. The motion passed with all seven votes, and Carol Carey adjourned the meeting at approximately 4:00 pm. The next meeting is tentatively scheduled for February 8, 2007, at 8:30 a.m. in Helena.